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World Production and Trade

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United States
Department of
Agriculture

Foreign
Agricultural
Service

Washington, D.C. 20250

Weekly
Roundup

WR 26-86

July 2, 1986

The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

GRAIN AND FEED

TAIWAN has renewed its five-year grain agreement with the United States, effective July 1. The agreement calls for minimum imports of 14.75 million metric tons -- 2.4 million tons above what is called for in the current agreement. Actual sales under the new agreement are expected to be higher since purchases under the current agreement now total about 13.4 million tons, well above the minimum of 8.6 million tons. The new agreement will be signed in August.

The EUROPEAN COMMUNITY (EC) has indicated it might accept lower bids on intervention stocks of wheat for export to Egypt and Yugoslavia, and barley stocks for sale to Saudi Arabia, Israel, Algeria and Jordan. This action may be in response to recent U.S. announcements of Export Enhancement Programs (EEP) targeting these countries. Reducing the sales price of intervention stocks to these markets could set a floor price below which U.S. grain under the EEP must be sold if the United States is to remain competitive. Recent prices for wheat and barley sold from intervention stocks have been about \$92 and \$68 per ton, respectively.

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DAIRY, LIVESTOCK AND POULTRY

The five-member CANADIAN Import Tribunal decided unanimously that the Canadian Cattlemen's Association has the right to complain about the alleged damaging effects of imports of subsidized beef from Ireland and Denmark. The Tribunal's decision establishes a precedent with a potential impact on agricultural trading. The Tribunal now has begun the second phase of its hearings to determine if subsidized European imports actually damage the Canadian meat industry.

COTTON AND FIBERS

According to the U.S. agricultural attache in Ankara, TURKEY'S 1986/87 cotton crop is forecast at 2.2 million bales, 7 percent below last year. The drop is due to a 9 percent decrease in planted area. For the first time, support prices for seed cotton were announced before planting which allowed farmers to choose among competing crops. Since producers were not pleased with the official cotton support price, they switched to grains and oilseeds.

EGYPT'S 1986/87 cotton crop is forecast to be slightly less than last year's 2.1 million bales, according to the U.S. agricultural counselor in Cairo. The Egyptian government, however, recognizes the importance of cotton as a major source of export revenue, and continues to mandate cotton plantings. Nonetheless, past levels of cotton acreage have not been maintained because many Egyptian farmers find cotton to be less profitable than other crops. In the past, farmers had shifted acreage from cotton to soybeans. Recent feed shortages have caused farmers to take land out of cotton to increase corn production.

WOOD AND WOOD PRODUCTS

The MALAYSIAN forest products industry is expected to record modest gains in 1986 after last year's disappointing performance, particularly in the processing sector. Production of roundwood is forecast at 33 million cubic meters, 5 percent above the 1985 level. Minor increases are also projected for tropical hardwood logs, lumber and plywood. For the past several years, the industry has been hampered by stagnant demand in overseas markets, intense foreign competition, an acute shortage of logs in Peninsular Malaysia, and rising processing costs with declining prices. The government is attempting to preserve forest resources and spur further growth by actively promoting reforestation programs, the use of rubberwood and lesser known timber species, and downstream processing.

Malaysian log exports increased to 19.8 million meters in 1985, 19 percent above the 1984 level. Most of the increase was in shipments to Japan, South Korea, China and Hong Kong. Japan accounts for approximately 60 percent of Malaysia's annual log exports.

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Contrary to government expectations, exports of processed products such as lumber, veneer and plywood all declined in 1985. Lumber shipments to Singapore, the largest single market, were down by 200,000 meters and were not completely offset by modest gains in the Dutch and Japanese markets. Shipments of veneer, especially to Taiwan, suffered a more severe drop.

Exports of plywood also declined in 1985 due to intense competition from Indonesia, which benefitted from more competitive shipping rates. While the outlook for 1986 exports of processed wood products appears static, log exporters are hopeful of slightly larger shipments, mostly to Japan.

Malaysian shipments of flooring, molding and miscellaneous products to the United States were valued at U.S. \$35.7 million in 1985, down from U.S. \$45.8 million in 1984.

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Production and exports of Malaysian wood products are as follows in 1,000 cubic meters:

	1984	1985	1986 <u>1/</u>
ROUNDWOOD			
Harvest	31,107	31,300	33,000
Imports	198	122	100
Exports	16,672	19,772	21,000
Domestic consumption	14,633	11,650	12,100
TROPICAL HARDWOOD LOGS			
Production	30,997	31,130	32,815
Imports	1	0	0
Exports	16,668	19,771	21,000
Domestic consumption	14,330	11,359	11,815
TROPICAL HARDWOOD LUMBER			
Production	5,845	5,500	5,700
Imports	60	33	30
Exports	2,777	2,705	2,800
Domestic consumption	3,128	2,828	2,930
TROPICAL HARDWOOD VENEER			
Production	800	638	632
Imports	10	10	8
Exports	567	415	400
Domestic consumption	243	233	240
TROPICAL HARDWOOD PLYWOOD			
Production	586	568	570
Imports	36	6	5
Exports	371	364	355
Domestic consumption	251	210	220

1/ Forecast.

TOBACCO

On June 17, ITALY'S Council of Ministers approved new legislation which will severely restrict smoking in almost all public and private areas. The proposal, which is expected to pass the Italian Parliament by late summer, is an extension of existing rules which ban smoking in public buildings, places of entertainment and transportation. As a result of these actions, consumption can be expected to decline from the 1985 record level of 113 billion pieces.

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EXPORT ENHANCEMENT INITIATIVES

The status of USDA's Export Enhancement Program as of June 27, 1986, was as follows in metric tons:

ANNOUNCED INITIATIVES	DATE ANNOUNCED	QUANTITY/RESULTS
36. Jordan Barley	June 17, '86	60,000
35. Israel Barley	June 17, '86	200,000
34. Tunisia Dairy Cattle	May 29, '86	4,000 head
33. Algeria Dairy Cattle	May 29, '86	5,000 head
32. Sri Lanka Wheat	May 16, '86	125,000 Sold 50,000
31. Saudia Arabia Barley	May 7, '86	500,000 Sold 25,000
30. Algeria Barley	Apr 17, '86	500,000
29. Morocco Dairy Cattle	Apr 16, '86	4,000 head
28. Turkey Dairy Cattle	Apr 16, '86	5,000 head
27. Egypt Dairy Cattle	Apr 16, '86	6,000 head
26. Yemen Poultry Feed	Apr 14, '86	150,000
25. Yugoslavia Wheat	Apr 10, '86	200,000 COMPLETE
	June 24, '86	200,000
24. Indonesia Dairy Cattle	Apr 9, '86	7,500 head
23. Syria Wheat	Apr 8, '86	700,000
22. Benin Wheat	Apr 7, '86	45,000 Sold 10,000
21. Algeria Table Eggs	Apr 4, '86	500 million
20. Iraq Dairy Cattle	Apr 4, '86	6,500 head
19. Jordan Wheat	Mar 19, '86	75,000 COMPLETE
	June 24, '86	75,000
18. Tunisia Wheat	Mar 18, '86	300,000 Sold 50,000
17. Algeria Wheat Flour	Feb 25, '86	100,000
16. Algeria Semolina	Feb 11, '86	250,000
15. Philippines Wheat	Jan 7, '86	150,000 COMPLETE (152,400)
14. Zaire Wheat	Dec 27, '85	40,000 Sold 35,000
	May 15, '86	40,000
13. Nigeria Barley Malt	Dec 10, '85	100,000 Sold 4,400
12. Iraq Wheat Flour	Dec 9, '85	150,000 Sold 75,000
11. Egypt Poultry	Nov 26, '85	8,000 COMPLETE
	Mar 21, '86	15,000 COMPLETE
	June 18, '86	5,000
10. Zaire Wheat Flour	Nov 18, '85	64,000 Sold 45,000
	May 15, '86	30,000
9. Philippine Wheat Flour	Nov 15, '85	100,000 Sold 50,000
8. Jordan Rice	Nov 8, '85	40,000 Sold 22,700
7. Turkey Wheat	Oct 16, '85	500,000 COMPLETE (506,600)
	May 8, '86	500,000
6. Morocco Wheat	Sept 30, '85	1,500,000 Sold 890,000
5. Yemen Wheat	Sept 6, '85	100,000 Sold 50,000
4. Yemen Wheat Flour	Aug 20, '85	50,000 Sold 31,500
	Apr 14, '86	100,000

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3. Egypt Wheat	Jul 26, '85	500,000	COMPLETE
	Oct 30, '85	500,000	COMPLETE
			(512,500)
	June 20, '86	500,000	
	June 20, '85	500,000	
2. Egypt Wheat Flour	Jul 2, '85	600,000	COMPLETE
1. Algeria Wheat	Jun 4, '85	1,000,000	COMPLETE
	Apr 10, '86	1,000,000	

EXPORT ENHANCEMENT PROGRAM SUMMARY

Announced to Date	11,611,780 (grain equivalent) tons
	500 million table eggs
	28,000 tons frozen poultry
	38,000 head dairy cattle
Sold to Date	4,091,500 wheat
	1,098,055 flour, grain equivalent
	23,000 frozen poultry
	22,700 rice
	5,980 barley malt, grain equivalent
Bonus	\$250.2 million at book value (1,716,400 tons)

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Selected International Prices

Item	:	July 1, 1986	:	Change from	:	A year
	:		:	a week ago	:	ago
ROTTERDAM PRICES 1/						
		\$ per MT	\$ per bu.	\$ per MT		\$ per MT
Wheat:						
Canadian No. 1 CWRS-13.5%.		N.Q.	--	--		N.Q.
U.S. No. 2 DNS/NS: 14%....		133.00	3.62	+1.50		161.50
U.S. No. 2 S.R.W.		116.50	3.17	-1.50		142.50
U.S. No. 3 H.A.D.....		141.00	3.84	-3.00		166.00
Canadian No. 1 A: Durum...		N.Q.	--	--		176.00
Feed grains:						
U.S. No. 3 Yellow Corn....		106.00	2.69	-11.00		126.00
Soybeans and meal:						
U.S. No. 2 Yellow.....		203.30	6.27	+1.50		219.60
Brazil 47/48% Soya Pellets		187.00	--	-3.00		144.00
U.S. 44% Soybean Meal....		179.00	--	-2.00		136.50
U.S. FARM PRICES 3/						
Wheat.....		90.38	2.46	+13.23		112.40
Barley.....		56.03	1.22	-5.05		77.62
Corn.....		85.83	2.18	-5.51		102.36
Sorghum.....		80.69	3.66 2/	-3.53		97.88
Broilers.....		1498.91	--	+87.52		1101.64
EC IMPORT LEVIES						
Wheat 5/.....		153.60	4.18	-17.60		81.90
Barley.....		155.95	3.40	-15.30		72.65
Corn.....		147.00	3.73	-1.75		67.90
Sorghum.....		162.40	4.13	+1.50		84.50
Broilers 4/ 6/ 8/.....		348.00	--	+7.00		164.00
EC INTERVENTION PRICES 7/ 9/						
Common wheat(feed quality)		199.35	5.43	+3.95		152.75
Bread wheat (min. quality)		211.70	5.76	+4.20		162.25
Barley and all						
other feed grains.....		199.35	--	+3.95		152.75
Broilers 4/ 6/.....		1,420.00	--	+17.00		1,077.00
EC EXPORT RESTITUTIONS (subsidies)						
Wheat		N.A.	--	--		N.A.
Barley.....		N.A.	--	--		N.A.
Broilers 4/ 6/ 8/.....		256.00	--	+5.00		96.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Changes may be due partly to exchange rate fluctuations and/or ECU payments. N.A.=None authorized. N.Q.=Not quoted. Note: Basis July delivery.

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